

INSTRUCTIONS - 1997 STATE OF IDAHO INDIVIDUAL INCOME TAX RETURN

WHICH FORM TO USE:

You may use Form 40EZ if you:

- Are a full-year resident, and
- Are single or married filing jointly with no dependents, and
- Are under age 65, and
- Are not blind, and
- Have taxable income of less than \$50,000, and
- Have only wages, salaries, tips, unemployment compensation, taxable scholarships or fellowships, and
- Have taxable interest income of \$400 or less.

You must use Form 40 if you:

- Are a full-year resident, and
- Are not eligible to file Form 40EZ.

You must use Form 43 if you or your spouse are a:

- Nonresident, or
- Part-year resident, or
- Resident in the military stationed outside Idaho for part or all of the year. (Others see page 2.)

You must use Form 39 if you file a Form 40 or 43, and you:

- Claim a deduction for alternative energy devices, or
- Deduct certain retirement benefits, or
- Claim special Idaho subtractions, or
- Claim credit for taxes paid to another state, or
- Claim credit for maintaining a home for a family member.

GENERAL INFORMATION

INFORMATION AND FORMS

If you need information or assistance, call or visit the Idaho State Tax Commission office nearest you.

Forms are available at Tax Commission offices or may be ordered by calling (208) 334-7789. In addition, most Idaho libraries have a copy of "Idaho Reproducible Forms." This binder contains Idaho tax forms for individuals and businesses. You may file photocopies of these tax forms with the Tax Commission.

If you use a photocopy of a state form, the weight and size of the paper must be comparable to the official form. Your copy must be legible. Defective copies will not be accepted.

FILING REQUIREMENTS

If your gross income for 1997 is at least the following amount, you are required to file an Idaho income tax return.

Full-year Resident

STATUS

MARRIED:

• filing separate returns	\$ 2,650
• filing jointly, both spouses under 65	\$ 12,200
• filing jointly, one spouse 65 or older	\$ 13,000
• filing jointly, both spouses 65 or older	\$ 13,800

HEAD OF HOUSEHOLD:

• under 65	\$ 8,700
• 65 or older	\$ 9,700

SINGLE:

• under 65	\$ 6,800
• 65 or older	\$ 7,800

QUALIFYING WIDOW(ER) WITH DEPENDENT CHILD:

• under 65	\$ 9,550
• 65 or older	\$ 10,350

DEPENDENT CLAIMED ON SOMEONE ELSE'S RETURN:

• single under 65	with \$1 or more unearned	\$ 650
	with no unearned	\$ 4,150
• single 65 or older	(\$6,150 if blind)	\$ 5,150
	unearned (\$2,650 if blind)	\$ 1,650
• married under 65	if \$1 unearned,	\$ 650
	and unearned \$0	\$ 3,450
	file separate & spouse itemizes	\$ 5
• married 65 or older	(\$5,050 if blind)	\$ 4,250
	unearned (\$2,250 if blind)	\$ 1,450

Part-year Resident

If you are a part-year resident, you are required to file an Idaho income tax return if your gross income from all sources while a resident and your gross income from Idaho sources while a nonresident total more than \$2,500.

Nonresident

If you are a nonresident, you are required to file an Idaho income tax return if your gross income from Idaho sources was more than \$2,500.

FILING FOR REFUND OF WITHHELD AMOUNT

If you are not required to file an Idaho return, no tax is due even if the calculation shows taxable income. If you are filing only to receive a refund of amounts withheld, you do not pay the \$10 permanent building fund tax or receive the grocery credit. Write "NRF" (Not Required to File) on the lines for "Tax from tables or rate schedule" and "Permanent building fund tax."

GROSS INCOME

The federal definition of gross income determines whether you meet the Idaho filing requirement. Gross income is measured before subtracting allowable deductions. Gross income includes:

- All income from wages, salaries, tips, interest and dividends in the form of money, property, and services that is not exempt from tax.
- Self-employment income before expenses
- Farm income before expenses
- Rental income before expenses
- Shareholders and partners include their share of the gross income from the S corporation and partnership
- Unemployment compensation
- Certain scholarship and fellowship grants

Tax-exempt income, such as certain social security payments, is not included in gross income. Scholarships received by degree candidates that are used for tuition, fees, supplies, books, and equipment required for particular courses are not included in gross income.

FILING STATUS

Your Idaho filing status must be the same as the filing status used on your federal return. If you file a joint federal return, you must also file a joint Idaho return.

RESIDENT

A resident is any individual who has a home in Idaho for the entire tax year and spends more than 270 days in Idaho during the tax year or is domiciled in Idaho. Domicile is the place where you have your true, fixed, permanent home. You can have several residences or dwelling places, but you can have only one domicile. To change your domicile, you must abandon your old domicile with the intention of acquiring a new domicile and actually move to your new domicile.

Although you are domiciled in Idaho, you will not be considered an Idaho resident for income tax purposes if you are absent from the state at least 445 days during a 15-month period. The period begins when you leave the state.

GENERAL INFORMATION

During this period you may not:

- be present in Idaho for more than 60 days in any calendar year after the first 15-month period, or
- maintain a permanent home in Idaho where your spouse or minor children are present for more than 60 days during the calendar year, or
- claim Idaho as your federal tax home, or
- be employed on the staff of a U.S. Senator or Representative, or
- hold an elective or appointive office of the U.S. Government other than the armed forces or career appointees in U.S. Foreign Service.

The period ends once you return to Idaho if you remain or reside in Idaho for more than 60 days.

RESIDENT WORKING OUTSIDE OF IDAHO

If you are a resident who works out of state and you do not meet the exception, you must report all your income to Idaho on Form 40 or 40EZ. If you paid income taxes to another state and you claim a credit for taxes paid to that other state, you must file Form 40, Form 39 and a copy of the other state's return.

PART-YEAR RESIDENT

You are a part-year resident if you are not a resident and you changed your domicile either to or from Idaho during the tax year, or you resided in Idaho more than one day during the tax year. If you have Idaho gross income that meets the filing requirements, you must file Form 43.

A resident alien who has resided in Idaho part of the year will be treated as an Idaho part-year resident for Idaho income tax purposes.

NONRESIDENT

You are a nonresident if you were not domiciled or did not live in Idaho during any part of the tax year. If your gross income from Idaho sources meets the filing requirements, you must file Form 43.

An alien who has Idaho income but has not resided in Idaho for any part of the year will be treated as an Idaho nonresident for Idaho income tax purposes.

MILITARY PERSONNEL

If you joined the armed forces while a resident of Idaho, Idaho remains your state of permanent residence unless you change it. If you are an Idaho resident on full-time active duty stationed outside Idaho for all or a portion of the year, you must use Form 43. Full-time active duty must be continuous and uninterrupted for at least 120 consecutive days. Only the portion of your military wages while stationed in Idaho is subject to Idaho tax.

If you are an Idaho resident on full-time active duty and were stationed in Idaho for the entire year, all your military wages are subject to Idaho tax. You may file a Form 40 or Form 40EZ unless your spouse is a nonresident or part-year resident.

National Guard or Reserve drill pay and annual training pay is taxable if earned in Idaho or earned by an Idaho resident in another state. A National Guard member or Reservist who is temporarily stationed out of state while on active duty for at least 120 consecutive days may deduct non-Idaho earnings by filing Form 43. See instructions for Part II, Form 39.

If you are a nonresident on full-time active duty and were stationed in Idaho for all or a portion of the year, you are not subject to Idaho tax on military pay. However, if you have enough other income from an Idaho source to meet the filing requirements, you must file Form 43.

NATIVE AMERICANS

If you are an enrolled member of a federally recognized tribe and live on a reservation, all income received from working on

reservations is exempt from Idaho taxation.

If you are required to file a federal income tax return, you must file an Idaho return. For specific instructions, see Form 39.

ROUNDING AMOUNTS

The amounts on your return must be rounded to the whole dollar. An amount less than 50 cents is reduced to the whole dollar. Amounts of 50 cents or more are increased to the next whole dollar.

DECEDENT'S TAX RETURN

If a taxpayer dies before filing his return, the return must be filed by the taxpayer's spouse or personal representative. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property.

If your spouse died in 1997 and you did not remarry in 1997, you can file a joint return. You can also file a joint return if your spouse died in 1998 before filing a 1997 return. A joint return should show your spouse's 1997 income before death and your income for all of 1997. Write "FILING AS SURVIVING SPOUSE" on the line where the decedent would have signed the return. If someone else is the personal representative, he must also sign the return.

If a refund is due, attach federal Form 1310, Statement of Person Claiming Refund Due a Deceased Taxpayer. Form 1310 is not required when a surviving spouse files a joint return with the decedent or a personal representative files for the decedent.

COMMUNITY PROPERTY

Because Idaho is a community property state, each resident spouse has a one-half interest in the earnings of the other resident spouse during the portion of the year they were married. If married for only a part of the year, the community income includes ONLY the income earned during the time the couple was married. When filing separate returns, the community income, withholding and deductions of both resident spouses must be divided equally between husband and wife. Idaho law affects your federal return in the same manner. For more details, obtain federal Publication 555, Federal Tax Information on Community Property. If you were a resident of Idaho for only a portion of the year, Idaho law applies to that portion of the year you were a resident. Income is identified as community or separate income based on the laws of the state in which the recipient is a resident.

Community property laws do not apply when the spouses have lived apart for the entire year and no part of the income earned by one spouse has been transferred to the other spouse.

Income, withholding and deductions received or paid after divorce are separate property and must be reported on the return of the person to whom it applies.

If you divorced during 1997 or are filing separately from your spouse, attach a schedule showing how community property income and deductions were divided.

TAX YEAR AND ACCOUNTING PERIOD

The tax year and accounting method used on your Idaho return must match those used on your federal return.

WHEN TO FILE

You must file your return and pay any income taxes due:

- On or before April 15, 1998, for the calendar year 1997, or
- On or before the 15th day of the fourth month following the close of the fiscal year, if you file on a fiscal year basis.

TAX PREPARER CONTACT BOX

This box applies only if you paid a tax preparer to complete your return. If you check the box, you are authorizing the Tax Commission to contact your preparer to resolve any questions related to your return.

GENERAL INFORMATION

This authorization is valid for up to 120 days from the date the Tax Commission receives the return. If you want the Tax Commission to contact you rather than your preparer, leave the box blank.

SIGNATURES

You must sign your return. Your spouse also must sign if you file a joint return. If your return is prepared by another person, he must enter his name, address, and social security number or employer identification number. If a taxpayer is deceased or cannot sign his return, an authorized person may sign the return indicating his status or relationship. Write "FILING AS SURVIVING SPOUSE" or "unable to sign" in the signature space. If a taxpayer signs with an "X," his mark must be witnessed.

SEIZED REFUNDS

If your child support payments are delinquent, the Department of Health and Welfare may seize all or part of your income tax refund. If you have debts owing the Department of Employment, all or part of your refund may be seized by that agency to pay your debt. If either of these agencies has seized your refund, you should be notified of this fact by the agency. Questions regarding seized refunds should be directed to the agency that seized the refund.

EXTENSION OF TIME FOR FILING

If you cannot file your return by the due date, you must file for an extension of time on Form 51 on or before the due date of your return. The amount of tax withheld and other payments you have made must be at least 80% of the estimated tax due or 100% of the total tax reported last year. When you file Form 51, you must pay this amount. Even though an extension gives you additional time in which to file, the tax is due on the original due date of the return. When you file your income tax return the extension period expires and any remaining tax due must be paid. You must pay interest on any tax due. If the request for extension of time does not have sufficient payment attached, a 5% penalty will apply to any tax due. The minimum penalty is \$10.

The federal extension form is not valid for Idaho.

AMENDED RETURNS

If you discover an error on your return after it has been filed, do not file the same form again. Use a Form 40X, Amended Idaho Individual Income Tax Return, to make the necessary corrections. If you amend your federal return, an amended Idaho tax return must be filed within 60 days. Failure to file within 60 days may result in a 5% penalty.

AUDITED RETURNS

An audit is a review of a return to make sure it was prepared according to tax law. You will be contacted if your return is to be audited. The audit will be made by an auditor from the Idaho State Tax Commission. The auditor will ask to see your records

and compare them with your return. You may present your records yourself or have someone represent you or come with you. Any change to your return will be explained. Question anything you don't understand.

FEDERAL AUDIT

If your federal taxable income or tax credits change because of a federal audit, you must send written notice to the Idaho State Tax Commission within 60 days of the final federal determination. You must include copies of all schedules supplied by the Internal Revenue Service. If you owe additional Idaho tax and do not send written notice within 60 days, a 5% negligence penalty will be imposed. If the final federal determination results in an Idaho refund and the statute of limitations is closed, you have one year from the date of the determination to file for the refund.

KEEPING TAX RECORDS

You are required by law to keep records that will enable you to prepare a complete and accurate income tax return. Although the law does not require any special form of records, you must retain all receipts, canceled checks, and other evidence to prove amounts claimed as deductions. Keep all supporting records for income or deductions until the statute of limitations for the return expires. Usually this is three years from the due date or the date the return was filed. In property transactions, the basis of new or replacement property may be determined by the basis of the old property. Keep these records as long as they are needed to determine the basis of the original or replacement property.

PAYMENTS

Make your check or money order payable to the Idaho State Tax Commission and attach it to the tax return.

ELECTRONIC FUNDS TRANSFERS

Tax payments of \$100,000 or more must be paid by electronic funds transfer. If you are making an electronic funds transfer for the first time, contact Taxpayer Services at (208) 334-7660 for further information.

PENALTIES AND INTEREST

Penalties may be imposed on the tax due as follows:

- 5% for negligence or disregard of rules
- 5% per month or fraction of a month to a maximum of 25% for failure to pay the tax due
- 50% for filing a false or fraudulent return
- 10% for substantial understatement of tax

The minimum penalty is \$10.

Interest applies on delinquent tax from the due date of the return until the tax is paid at the rate of 8% per year (rate effective 1-1-98 to 12-31-98).

FORM 40EZ

Instructions are on the back of the form.

FORM 40

Instructions are for lines not fully explained on the form.
General information instructions beginning on page 1 also apply to this form.

HEADING

Use the peel-off mailing label on the back cover of this booklet; you will get your refund faster. Make any corrections by crossing out the wrong information and printing the correct information on the label. Include your apartment number, if you have one. If you do not receive a label, enter your name, address and social security number in the spaces provided. If filing a joint return, enter the names and social security numbers of both you and your spouse.

If you do not have a social security number, contact the Social Security Administration, Postal Service or the Internal Revenue

Service to obtain an application, Form SS-5. You should file it with the local office of the Social Security Administration. Apply early enough to make sure you receive a number by April 15. If your return is due before you receive your number, file the return and write "Applied for" in the space for the number. The Idaho State Tax Commission will contact you for the number.

Be sure that your return and W-2 forms show the correct social security number. An error in your social security number will delay your refund.

FORM 40

SCHOOL DISTRICT NUMBER DESIGNATION

Identify the school district in which you live. Idaho school districts are listed on page 10. If you are in doubt about school district boundaries, call your school and ask about your district number.

NEXT YEAR'S FORMS

If someone else prepares your return and you need forms mailed to you next year, please check the box below your name and address.

LINES 1 through 5 FILING STATUS

Check the box indicating the same filing status shown on your federal return. Refer to federal instructions for further information on filing status. If you are married filing separately, list your spouse's name and social security number. If you are filing as head of household, enter the name of the person who qualifies you. If you are a qualifying widow(er), enter the year your spouse died.

LINE 6 EXEMPTIONS

Exemptions claimed on your Idaho return must match the exemptions claimed on your federal return.

Line 6a. Yourself and Spouse. CAUTION: If you can be claimed as a dependent on another person's tax return, such as a parent's return, do not check the box indicating yourself. Instead, check the box on line 31c.

If you cannot be claimed as a dependent on another person's return, you may claim one exemption for yourself. Check the box for "Yourself." If you are married filing a joint return, you can also claim an exemption for your spouse. Check the box for "Spouse." Enter the total number of boxes checked in the space provided. If your spouse died during 1997 and you are filing a joint return, you may claim the exemption for your spouse.

Line 6b. Dependent Children. Enter the total number of dependent children claimed on your federal return.

Line 6c. Other Dependents. Enter the number of other dependents claimed on your federal return.

LINES 7-8 IDAHO ELECTION CAMPAIGN FUND

The Idaho Legislature established this fund to provide financing for qualified political parties. If you want \$1 of your income tax to go to the Idaho Election Campaign Fund, check the box beneath the party of your choice. If you are filing a joint return, your spouse may also designate \$1 to the same party or to a different party. If you check "No specific party," the amount will be divided among the parties by a formula prescribed by law. This will not increase your tax or decrease your refund.

LINE 9 FEDERAL ADJUSTED GROSS INCOME

Enter the adjusted gross income reported on your federal return: Line 32, Form 1040; Line 16, Form 1040A; or Line 4, Form 1040EZ.

ADDITIONS

LINE 10 FEDERAL NET OPERATING LOSS CARRYFORWARD

A net operating loss is the excess of business deductions (computed with certain modifications) over gross income in a particular tax year. A deduction is allowed for that loss, through a net operating loss carryback or carryforward, in some other tax year(s) in which gross income exceeds business deductions.

In many cases, the allowable federal net operating loss carryforward is not the same amount allowed on the Idaho return. Therefore, you must enter on line 10 any net operating loss carryforward included on your federal return. The allowable Idaho net operating loss carryforward will then be claimed as a subtraction on line 15.

LINE 11 CAPITAL LOSS CARRYFORWARD

Enter on line 11 any capital loss claimed on your federal return

(Schedule D) incurred before you became a resident of Idaho, or capital losses from business activities that were not taxable by Idaho.

LINE 12 INTEREST AND DIVIDENDS NOT TAXABLE UNDER FEDERAL LAW

Enter the amount of interest and dividends you received from municipal bonds of other state governments, including their counties or cities, or from obligations of any foreign country. This income is not reported on your federal return.

LINE 13 OTHER ADDITIONS

RETIREMENT PLAN LUMP-SUM DISTRIBUTIONS

Enter the taxable amount of a lump-sum distribution from a retirement plan reported on federal Form 4972. The amount subject to Idaho tax includes the ordinary income portion and the amount eligible for the federal capital gain election.

PARTNER AND SHAREHOLDER ADDITIONS

Partners and shareholders must include their share of the Idaho additions to partnership and S corporation income not included on the federal Schedule K-1. This information is available from the preparer of the partnership or S corporation return. For example: Interest income from other state governments not taxable for federal purposes is not included on a federal Schedule K-1. The partner/shareholder must report that interest income here.

IDAHO MEDICAL SAVINGS ACCOUNT WITHDRAWALS

Idaho medical savings account withdrawals not used to pay eligible medical expenses must be reported here. See instructions for line 26.

SUBTRACTIONS

LINE 15 IDAHO NET OPERATING LOSS CARRYFORWARD

Refer to line 10. Use Idaho Form 56 to compute your allowable Idaho loss carryforward. Do not include losses from sources that were not taxable by Idaho or that were incurred before becoming a resident.

LINE 16 STATE INCOME TAX REFUND

Enter the amount of all state income tax refunds included in income on line 10 of federal Form 1040. If you are filing federal Form 1040A or 1040EZ, enter zero.

LINE 17 INTEREST FROM U.S. GOVERNMENT

Interest income you received from obligations of the U.S. Government is not subject to the Idaho tax. Deduct any U.S. Government interest included in federal adjusted gross income, line 9. Examples of obligations of the U.S. Government include but are not limited to:

- Banks for Cooperatives
- Federal Farm Credit Banks
- Federal Financing Bank
- Federal Homeowners Loan Bank
- Federal Intermediate Credit Bank
- Federal Land Bank
- Guam
- Puerto Rico
- Student Loan Marketing Association
- Tennessee Valley Authority Bonds
- Territory of Alaska
- Territory of Hawaii
- Territory of Samoa
- U.S. Series EE and HH Bonds
- U.S. Treasury Bills and Notes
- Virgin Islands

Interest income received from the Federal National Mortgage Association (FNMA) and the Government National Mortgage Association (GNMA) is not paid by the U.S. Government and is subject to Idaho income tax.

LINE 18 INSULATION OF AN IDAHO RESIDENCE

You may be able to deduct the amount you paid to install addi-

FORM 40

tional insulation in your Idaho residence. To qualify for this deduction, your Idaho home must have existed, been under construction, or had a building permit issued on or before January 1, 1976. The insulation must be in addition to any existing insulation and may not be a replacement.

Insulation means any material commonly used in the building industry and installed to retard the passage of heat into or out of a building, such as fiberglass, rock wool, weather stripping, double-pane windows, storm doors and storm windows.

Insulated siding does not qualify unless the cost of the siding and the insulating material is separately stated, in which case the cost of the insulating material alone qualifies.

The amount charged for labor to install the insulation is also deductible.

LINE 19 ALTERNATIVE ENERGY DEVICES

If you installed an alternative energy device in your Idaho residence, you may qualify for this deduction. Complete Idaho Form 39 and attach it to your return. See instructions, page 18.

LINE 20 CHILD AND DEPENDENT CARE

If you were able to claim the federal Credit for Child and Dependent Care Expenses, you are allowed an Idaho deduction for the child care expenses you paid for the care of your dependents. The Idaho deduction is a different amount than the federal credit.

Complete this worksheet to determine your Idaho child or dependent care deduction. Refer to federal Form 2441 to determine amounts to enter on lines 1 through 4.

1. Enter the amount of qualified expenses you incurred and paid in 1997. Do not include amounts paid by your employer.
2. Enter \$2,400 for one child or dependent, \$4,800 for more than one child or dependent, cared for during the year.
3. Enter your earned income.
4. If married filing a joint return, enter your spouse's earned income. All others enter the amount from line 3.
5. Enter the smallest of line 1, 2, 3, or 4 here and on line 20.

Attach federal Form 2441 or Form 1040A, Schedule 2, Child and Dependent Care Expenses, to your return.

LINE 21 RETIREMENT BENEFITS DEDUCTION

Certain retirement annuities and benefits may be deducted by full-year residents who are age 65 or older, or age 62 or older and disabled. If you receive retirement income from the U.S. Civil Service, Idaho's firemen's retirement fund, a policemen's retirement fund of an Idaho city, or military service retirement, compute the allowable deduction on Form 39. See instructions, page 18.

LINE 22 SOCIAL SECURITY AND RAILROAD BENEFITS

Idaho does not tax social security benefits or benefits paid by the Railroad Retirement Board that are taxable on your federal return. Enter only the amount of these benefits shown on your federal Form 1040, lines 16b and 20b, or Form 1040A, lines 11b and 13b. (Do not enter the amounts reported on lines 16a and 20a, Form 1040, or lines 11a and 13a, Form 1040A). If subtracting benefits from the Railroad Retirement Board, attach Form RRB-1099 or RRB-1099-R.

LINE 23 TECHNOLOGICAL EQUIPMENT DONATION

Enter the fair market value of technological equipment donated to a public elementary or secondary school, public or private college or university, public library, or library district located in Idaho. Items that qualify for this deduction are limited to computers, computer software, and scientific equipment or apparatus manufactured within five years of the date of donation. The

amount deducted may not reduce Idaho taxable income to less than zero. Any unused deduction cannot be carried to another year.

LINE 24 IDAHO CAPITAL GAINS DEDUCTION

If you had a net capital gain from the sale of Idaho property described below, you may deduct 60% of the net capital gain that has not already been deducted on federal Schedule D.

- (a) Real property held for a minimum of five years, or
- (b) Tangible personal property used in a revenue-producing enterprise and held for a minimum of 12 months. A revenue-producing enterprise means:
 - 1) Producing, assembling, fabricating, manufacturing or processing any agricultural, mineral or manufactured product;
 - 2) Storing, warehousing, distributing or selling at wholesale any products of agriculture, mining or manufacturing;
 - 3) Feeding livestock at a feedlot;
 - 4) Operating laboratories or other facilities for scientific, agricultural, animal husbandry or industrial research, development or testing.
- (c) Cattle and horses held for a minimum of 24 months, and other livestock used for breeding held for a minimum of 12 months, if the owner received more than one-half of his gross income from farming or ranching in Idaho, or
- (d) Timber held for 24 months or more.

Complete Idaho Form CG to compute your capital gains deduction.

LINE 25 ADOPTION EXPENSES

If you adopt a child, you may deduct the expenses incurred in the adoption. You may claim legal and medical expenses incurred up to a maximum of \$3,000 per adoption. Travel expenses do not qualify. If the expenses are incurred in two or more years, deduct the costs in the year paid until the \$3,000 limit has been met. The expenses related to an unsuccessful attempt to adopt are not deductible. If expenses were claimed in a year prior to such a determination, file an amended return to add back any deduction claimed for the unsuccessful attempt.

LINE 26 CONTRIBUTIONS TO AN IDAHO MEDICAL SAVINGS ACCOUNT

You may deduct up to \$2,000 (\$4,000 if married) for contributions to a medical savings account. Deductible contributions do not include reimbursements that were redeposited into your Idaho Medical Savings Account. Do not include amounts deducted on line 24, federal Form 1040.

A medical savings account is generally established with a bank, savings and loan, or credit union. The account is established to pay eligible medical expenses of the account holder and the account holder's dependents.

Interest earned on the account is included on line 27. Complete and attach Form 39, Part I, Other Subtractions.

If you withdraw funds from an Idaho medical savings account and do not use the funds to pay eligible medical expenses, the withdrawal is subject to Idaho tax. Report this amount as an Other Addition, line 13. Eligible medical expenses include medical, vision and dental care, medical insurance premiums, and long-term care expenses.

If you make a withdrawal that is subject to tax and you are under age 59 1/2, the withdrawal is subject to penalty. The penalty is 10% of the amount withdrawn. Report the penalty on line 69.

LINE 27 OTHER SUBTRACTIONS

Refer to the instructions for Form 39 on pages 18 and 19 to determine if you are entitled to any other special Idaho deductions. Complete Form 39 and attach it to your return.

TAX COMPUTATION

LINE 31a AGE 65 OR OLDER

If you are 65 or older, check the box for "Yourself." If you are filing a joint return and your spouse is 65 or older, check the box for "Spouse." Age is determined as of December 31. However, if your 65th birthday was on January 1, 1998, you may consider yourself 65 on December 31, 1997. The boxes you check must match your federal return.

LINE 31b BLIND

The box for "Yourself" must be checked if the taxpayer is blind. If you are filing a joint return and your spouse is blind, check the box for "Spouse." Blindness is determined as of December 31. The boxes checked must match your federal return.

LINE 31c CLAIMED DEPENDENT

If you can be claimed as a dependent on your parent's or someone else's tax return, check this box. You may itemize deductions or use the standard deduction. Complete the worksheet to determine your standard deduction.

LINES 32-35 ITEMIZED OR STANDARD DEDUCTIONS

You may use either your federal itemized deductions or standard deduction, whichever benefits you more. (For exceptions, see YOU MUST ITEMIZE.)

Your itemized deduction is the same as the figure you used on your federal Form 1040, but Idaho requires that all state or local income taxes be subtracted from your itemized amount before you use that figure to reduce your income. (This is all state or local income taxes on your Schedule A, not just Idaho's.) Because of this addback, it may be more beneficial to itemize for federal purposes, but use the standard deduction for Idaho. If line 34 is more than line 35, you should use your itemized deductions on line 34. If line 35 is more than line 34, you should use your standard deduction on line 35.

CLAIMED DEPENDENTS. If someone else can claim you as a dependent, complete the worksheet.

YOU MUST ITEMIZE if you are married, filing a separate return (filing status 3) and your spouse itemizes. You must itemize if you had dual status as a nonresident alien for part of 1997 and during the rest of the year you were a resident alien or a U.S. citizen. However, you do not have to itemize if you file a joint return with your spouse who was a U.S. citizen or resident at the end of 1997 and you and your spouse agree to be taxed on your combined worldwide income.

FEDERAL LIMITATIONS ON ITEMIZED DEDUCTIONS. Some of your itemized deductions may be phased out if your federal adjusted gross income is more than \$121,200 (\$60,600 if you are married filing separately). Since this figure is the same as the limit on your federal itemized deductions, use the amount computed on the federal Itemized Deductions Worksheet and reported on your federal return.

Since state income taxes are affected by the limitation, your state income tax addback (line 33) must be reduced if your itemized deductions are limited. Adjust your state income tax addback as follows:

1. State income tax reported on federal Schedule A
2. Itemized deductions affected by the limitation (line 3 of federal Itemized Deductions Worksheet)
3. Divide line 1 by line 2. Round to the nearest whole percent. %
4. Enter the amount from line 9 of the federal Itemized Deductions Worksheet.
5. Multiply line 3 by line 4.
6. Subtract line 5 from line 1. Enter this amount on line 33.

STANDARD DEDUCTION CHART FOR MOST PEOPLE

DO NOT use this chart if you are 65 or older, blind or if someone else can claim you as a dependent.

If your filing status is:	Your standard deduction is:
Single	\$4,150
Married filing joint return or Qualifying widow(er) with dependent child	6,900
Married filing separate return	3,450
Head of household	6,050

**STANDARD DEDUCTION CHART FOR PEOPLE
AGE 65 OR OLDER OR BLIND**

If you are 65 or older or blind, check the boxes.

You 65 or older ☐ Blind ☐

Your spouse 65 or older ☐ Blind ☐
(if joint return)

Total number of boxes checked ☐

If your filing status is:	And the number in the box above is:	Your standard deduction is:
Single	1	\$ 5,150
	2	6,150
Married filing joint return or Qualifying widow(er) with dependent child	1	\$ 7,700
	2	8,500
	3	9,300
	4	10,100
Married filing separate return	1	\$ 4,250
	2	5,050
	3	5,850
	4	6,650
Head of household	1	\$ 7,050
	2	8,050

STANDARD DEDUCTION WORKSHEET FOR DEPENDENTS

1. Enter your earned income. Earned income includes wages, salaries, tips, other employee compensation, net earnings from self-employment, strike benefits and any disability pay you report as wages.
If none, enter -0-
2. Minimum amount 650
3. Compare the amounts on lines 1 and 2.
Enter the larger of the two amounts here
4. Enter on line 4 the amount shown below for your filing status:
 - Single, enter \$4,150
 - Married filing a separate return, enter \$3,450
 - Married filing a joint return or Qualifying widow(er) with dependent child, enter \$6,900.
 - Head of household, enter \$6,050
5. Standard deduction:
 - a. Compare the amounts on lines 3 and 4.
Enter the smaller of the two amounts here.
If under 65 and not blind, stop here and enter this amount on line 35
 - b. If 65 or older or blind, multiply \$1,000 (\$800 if married filing a joint or separate return, or qualifying widow(er) with dependent child) by the number of boxes checked on lines 31a and b
 - c. Add lines 5a and 5b. Enter the total here and on line 35

FORM 40

LINE 37 EXEMPTIONS

Multiply \$2,650 by the total number of exemptions entered on line 6d. If your federal adjusted gross income on line 9 is more than the amount shown below for your filing status, use the amount allowed on your federal Form 1040, line 37.

- \$ 90,900 Married filing separate return
- \$181,800 Married filing joint return or qualifying widow(er)
- \$121,200 Single
- \$151,500 Head of household

LINE 39 TAX

Enter the tax on this line. Use the tax tables on pages 23 through 28 if line 38 is less than \$50,000. Use the schedule on page 23 if line 38 is \$50,000 or more. Be sure you use the correct column in the tax table or the correct schedule for your filing status. See the example at the beginning of the tax table.

If you do not meet the filing requirement (see page 1) and are filing only to receive a refund of withheld taxes, write "NRF" (Not Required to File) on this line.

CREDITS

LINE 40 INCOME TAXES PAID TO OTHER STATES

When the same income is taxed by both Idaho and another state, you may be entitled to a credit for taxes paid to the other state. Use Form 39 to compute the credit. You must attach a copy of the other state's income tax return and Form 39. If credit applies to more than one state, use a separate Form 39 for each state. See instructions, page 19.

Examples of income that may be taxed by both Idaho and another state include:

- Wages earned in another state that has an income tax, such as Oregon or Utah, while living in Idaho.
- Income from a business or profession earned in another state that has an income tax, while a resident of Idaho.

LINE 41 CREDIT FOR CONTRIBUTIONS TO EDUCATIONAL ENTITIES

If you donated cash or goods to qualified educational entities, you may claim a tax credit. Your credit is limited to the smallest of:

- one-half of the amount donated,
- 20% of the tax on line 39, or
- \$50 (\$100 on a joint return)

A qualified educational entity includes:

- a nonprofit corporation, fund, foundation, trust, or association organized and operated exclusively for the benefit of Idaho colleges and universities
- a nonprofit, private or public Idaho school (elementary, secondary or higher education) or its foundation
- Idaho education public broadcast system foundations
- the Idaho State Historical Society or its foundation
- an Idaho public library or its foundation
- an Idaho library district or its foundation
- an Idaho public or private nonprofit museum

LINE 42 INVESTMENT TAX CREDIT

If you acquired an asset for use in your business, you may have earned an investment tax credit. Complete and attach Idaho Form 49 to report the earned credit computed on line 2, Part I, Form 49, and the allowed credit computed on line 10, Part II, Form 49.

LINE 43 CREDIT FOR CONTRIBUTIONS TO YOUTH AND REHABILITATION FACILITIES

If you donated cash or goods to qualified youth or rehabilitation facilities, you may claim a tax credit. Your credit is limited to the smallest of:

- one-half of the amount donated,
- 20% of the tax on line 39, or
- \$100 (\$200 on a joint return)

The following are the qualified youth or rehabilitation facilities:

- Anchor House
- The Arc, Inc., Boise
- Dawn Enterprises, Inc., Blackfoot
- Development Workshop, Inc., Idaho Falls
- High Reachers, Inc., Mountain Home
- Idaho Elks Rehabilitation Hospital, Inc., Boise
- Idaho Youth Ranch
- Magic Valley Rehabilitation Services, Inc., Twin Falls
- New Day Products, Inc., Pocatello
- Northwest (North Idaho) Children's Home
- Opportunities Unlimited, Inc., Lewiston
- Panhandle Special Needs, Inc., Sandpoint
- Transitional Employment Services for the Handicapped, Coeur d'Alene
- Western Idaho Training Co., Inc., Caldwell
- Winchester Occupational Workshop, Winchester

LINE 44 NEW JOBS TAX CREDIT CARRYOVER

If you have new jobs tax credit carryover from the previous year, you may be able to claim the new jobs tax credit carryover. Complete and attach Idaho Form 55.

LINE 45 CREDIT FOR PRODUCTION EQUIPMENT USING POST-CONSUMER WASTE

If you purchased equipment that manufactures a product from post-consumer or post-industrial waste, you may be entitled to a tax credit. The credit is 20% of your cost to purchase qualified equipment.

Qualified equipment is machinery or equipment in Idaho with a useful life of three years or more. In addition, 90% of the equipment's production must result in products utilizing post-consumer or post-industrial waste.

The credit claimed in a tax year is limited to the lesser of \$30,000 or your tax liability. You may carry forward the unused portion of the credit up to seven years.

Product is any manufactured material that is composed of at least 50% post-consumer or post-industrial waste and offered for sale. Product does not include shredded material unless it is incorporated directly into the manufacturing process.

Post-consumer waste or post-industrial waste includes only glass, paper, or plastic that have been, or would have been, disposed of as solid waste. It does not include radioactive or hazardous waste.

Attach a schedule showing your computations, listing the qualified equipment, identifying the post-consumer or post-industrial waste products, and identifying the newly manufactured products.

OTHER TAXES

LINE 48 SPECIAL FUELS TAX DUE

If you buy special fuels (diesel, propane, natural gas) without paying the special fuels tax and later use this fuel in licensed vehicles or in an aircraft, special fuels tax is due. Enter the amount from line 10, Form 75. Attach Idaho Form 75.

LINE 49 SALES/USE TAX DUE

If you made purchases without paying sales tax, you must calculate the Idaho 5% sales tax. Examples include magazine subscriptions, record and book clubs, and purchases made in states that do not have a sales tax. Multiply the purchase price by 5% to determine the sales tax due.

LINE 50 RECAPTURE OF IDAHO INVESTMENT TAX CREDIT

If you have claimed an investment tax credit on property that ceases to qualify before the end of its estimated useful life, you must recompute the investment tax credit. The difference between the original credit and the recomputed credit must be recaptured. Complete and attach Idaho Form 49R.

FORM 40

LINE 51 PERMANENT BUILDING FUND TAX

You are required to pay the \$10 permanent building fund tax if you are required to file an Idaho income tax return. See FILING REQUIREMENTS on page 1.

You are not required to pay the \$10 permanent building fund tax if:

- your gross income was less than the amount specified for your filing status. Draw a line through the \$10 and enter "NRF" (Not Required to File).
- you were receiving Idaho public assistance payments at the end of the tax year. Check the box on this line and draw a line through the \$10. Food stamps and WIC payments do not qualify as Idaho public assistance.
- you or your spouse were legally blind at the end of the tax year. Draw a line through the \$10.

DONATIONS

The donations on lines 53 through 59 are voluntary and will either reduce your refund or increase your tax due. Your choice to donate is irrevocable; you cannot get a refund later. These donations may be itemized as charitable contribution deductions on your 1998 income tax return. If you have any questions regarding how your donation(s) will be spent, you may contact the entities listed.

LINE 53 NONGAME WILDLIFE CONSERVATION FUND



**DO
SOMETHING
WILD!**

Contributions are used to ensure the conservation of nongame wildlife and their habitat in Idaho, to promote greater appreciation of wildlife, and to increase opportunities to view and enjoy "watchable" wildlife. Donations are used for a variety of projects including research on rare animals in an effort to better manage them so they don't become threatened or endangered, construction of nest boxes and platforms to provide more homes for wildlife, educational programs and community projects, development of wildlife viewing sites throughout the state, informational brochures, and a nongame wildlife leaflet series available to the public and used by teachers. Contact the Department of Fish and Game. (208) 334-2676.

LINE 54 DRUG ENFORCEMENT FUND

Donations are used to finance drug enforcement programs in Idaho. Contact the Division of Narcotics, Department of Law Enforcement. (208) 884-7120.

LINE 55 CHILDREN'S TRUST FUND/CHILD ABUSE PREVENTION

Donations are used to fund community-based educational or service programs designed to prevent child abuse and neglect. Contact the Department of Health and Welfare, Children's Trust Fund/Abuse Prevention. (208) 386-9317.

LINE 56 AGRICULTURE IN THE CLASSROOM FUND

Donations are used to develop and present programs to provide students with a better understanding of the role of Idaho agriculture in our society. Contact the Idaho Department of Agriculture. (208) 888-0988.

LINE 57 U.S. OLYMPIC FUND

You may designate up to \$5.00 (\$10.00 on a joint return) to the United States Olympic Fund. Write to the U.S. Olympic Committee, 1750 Boulder St., Colorado Springs, CO. 80904.

LINE 58 ALZHEIMER'S DISEASE SERVICES FUND

Donations are used for services that support Idahoans and their families victimized by Alzheimer's disease. Contact the Alzheimer's Disease Association. (208) 384-1788.

LINE 59 COMMUNITY FORESTRY TRUST ACCOUNT

Donations are used for projects related to the management of trees and associated vegetation in rural and urban communities. Contact the Idaho Department of Lands. (800) 432-4648.

PAYMENTS AND OTHER CREDITS

LINE 61 GROCERY CREDIT

If you are required to file a return (see page 1), multiply the number of people listed on line 6d by \$15 and enter the result. The credit is not allowed for dependents who are not Idaho residents.

If you are not required to file a return and are filing only to receive a refund of amounts withheld, write "NRF" (Not Required to File) on this line.

If you are not required to file a return and either you or your spouse is blind, a disabled veteran, or age 62 or older by December 31, 1997, you may claim a \$15 grocery credit refund for each qualifying person. If you are blind, check the box on page 2 line 31b, Form 40. A disabled veteran who has not claimed this credit before must enclose a photocopy of the document which establishes disability. If you are age 62 or older, write your date of birth in the margin on Form 40.

NOTE: If you qualify for the grocery credit and are not required to file a return, the credit may be claimed on Form 24. You may obtain a form from any office of the Idaho State Tax Commission. The refund claim is due on or before April 15, 1998. You may not claim the credit on both Form 40 and Form 24.

LINE 62 ADDITIONAL GROCERY CREDIT

If you are required to file a return, enter \$15 for each person who is age 65 or older as indicated on line 31a.

If your gross income is less than the amount that requires you to file a return (see page 1) and if either you or your spouse is 65 or older by December 31, 1997, you may claim the additional grocery credit refund on line 62 for each qualifying person.

NOTE: If you qualify for the grocery credit and do not file a return, the credit may be claimed on Form 24. You may obtain a form from any office of the Idaho State Tax Commission. The refund claim is due on or before April 15, 1998. You may not claim the credit on both Form 40 and Form 24.

LINE 63 MAINTAINING A HOME FOR A FAMILY MEMBER AGE 65 OR OLDER OR A FAMILY MEMBER WITH A DEVELOPMENTAL DISABILITY

If you maintained a household for an immediate family member(s) age 65 or older or with a developmental disability, and did not claim a deduction of \$1,000 per person on Form 39, Part I, Section C, line 4, you may claim a tax credit of \$100 per person (up to \$300). Complete and attach Idaho Form 39. See instructions, page 20. You may claim this credit even if your gross income is less than the filing requirement.

LINE 64 FUELS TAX REFUND

If you buy special fuels (diesel, propane, natural gas) with Idaho tax included and use this fuel for heating or in off-highway equipment, you may be entitled to a refund of the Idaho special fuels tax you paid. Enter the amount from line 5, Form 75. Attach Idaho Form 75. Heating fuel is generally purchased without paying the tax.

If you buy gasoline and use it in unlicensed equipment or auxiliary engines, you may be entitled to a refund of the Idaho gasoline tax you paid. Enter the amount from line 4, Form 75. Attach Idaho Form 75.

LINE 65 IDAHO INCOME TAX WITHHELD

Total the Idaho income tax withheld shown on withholding statements. Attach legible state copies of W-2s and other information forms that show Idaho withholding. DO NOT claim credit for tax withheld for other states or federal tax withheld. DO NOT include W-2s from other tax years or write on or change the amounts on your W-2s.

FORM 40

LINE 66 1997 FORMS 51 AND 51ES PAYMENTS

Enter the total of payments made with an extension of time (Form 51) and voluntary estimated payments (Form 51ES). Include the amount of overpayment applied from your 1996 return.

REFUND OR TOTAL DUE

LINE 69 PENALTY AND INTEREST

Penalty: If you file your return after the due date or do not pay the amount of tax by the due date, a 5% penalty for each month (or fraction of a month), up to a maximum of 25%, will apply to the tax due. If you received an extension of time to file your return and did not include a payment of at least 80% of the tax due or 100% of the total tax you reported last year, a 5% penalty will apply to the tax due. The minimum penalty is \$10.

Idaho Medical Savings Account: If you make a medical savings account withdrawal that is subject to tax and you are under age 59 1/2, the withdrawal is subject to penalty. The penalty is 10% of the amount withdrawn. Check the box and enter the amount here.

Interest: Interest is charged on the amount of tax due, line 68, from the due date until paid. The rate for 1998 is 8%.

LINE 70 TOTAL DUE

Enter the amount of tax you owe. If your payment includes

amounts for penalty and interest, include those amounts in the figure you enter on this line.

Send a check or money order payable to the Idaho State Tax Commission. Do not send cash. Payments of less than \$1 are not required. A \$10 charge will be imposed on all returned checks. When the tax due the state is \$100,000 or more, it must be paid by electronic funds transfer. A penalty may be imposed for failure to pay by electronic funds transfer.

LINE 72 REFUND

Enter the amount of your overpayment shown on line 71 that you want refunded to you.

Refunds of less than \$1 will not be issued unless specifically requested in writing, signed and attached to the return when filed. No refund will be issued unless a return claiming overpayment of tax is filed within three years after the due date for filing. Refunds will be reduced by unpaid Idaho tax liabilities, and may be seized for unpaid liabilities owed to other state agencies.

LINE 73 1998 ESTIMATED TAX

Subtract line 72 from line 71. The amount you enter will be applied to your 1998 tax and will not be refunded.

ATTACH A COMPLETE COPY OF YOUR FEDERAL RETURN

SCHOOL DISTRICTS

Find the number of the school district in which you reside. Enter that number in the space provided on the form. If you are in doubt about school district boundaries, call your school and ask about your district number.

Name of County	Name of School District	School Dist. No.	Name of County	Name of School District	School Dist. No.
ADA	Independent District of Boise City	1	JEROME	Jerome Joint District	261
	Meridian Joint District	2		Valley District	262
	Kuna Joint District	3		Coeur d'Alene District	271
ADAMS	Meadows Valley District	11	KOOTENAI	Lakeland District	272
	Council District	13		Post Falls District	273
BANNOCK	Marsh Valley Joint District	21	LATAH	Kootani Joint District	274
	Pocatello District	25		Moscow District	281
BEAR LAKE	Bear Lake County District	33	LEWIS	Genessee Joint District	282
BENEWAH	St. Maries Joint District	41		Kendrick Joint School District	283
	Plummer/Worley Joint District	44		Potlatch District	285
BINGHAM	Snake River District	52	LEMHI	Whitepine Joint District	286
	Blackfoot District	55		Salmon District	291
	Aberdeen District	58		South Lemhi District	292
	Firth District	59	LINCOLN	Nezperce Joint District	302
BLAINE	Shelley Joint District	60		Kamiah Joint District	304
	Blaine County District	61		Highland Joint District	305
BOISE	Garden Valley District	71	MADISON	Shoshone Joint District	312
	Basin District	72		Dietrich District	314
	Horseshoe Bend District	73		Richfield District	316
BONNER	Bonner County District	82	MINIDOKA	Madison District	321
BONNEVILLE	Idaho Falls District	91		Sugar-Salem Joint District	322
	Swan Valley Elementary District	92		Minidoka County Joint District	331
BOUNDARY	Bonneville Joint District	93	NEZ PERCE	Lewiston Independent District	340*
	Boundary County District	101		Lapwai District	341
	Butte County Joint District	111		Culdesac Joint District	342
BUTTE	Camas County District	121	ONEIDA	Oneida County District	351
CAMAS	Nampa District	131		Marsing Joint District	363
	Caldwell District	132		Pleasant Valley Elementary District	364
CANYON	Wilder District	133	PAYETTE	Bruneau-Grand View Joint District	365
	Middleton District	134		Homedale Joint District	370
	Notus District	135		Payette Joint District	371
CARIBOU	Melba Joint District	136	POWER	New Plymouth District	372
	Parma District	137		Fruitland District	373
	Vallivue District	139		American Falls Joint District	381
CASSIA	Grace Joint District	148	SHOSHONE	Rockland School District	382
	North Gem District	149		Arbon Elementary District	383
	Soda Springs Joint District	150		Kellogg Joint District	391
CLARK	Cassia County Joint District	151	TETON	Mullan District	392
CLEARWATER	Clark County District	161		Wallace District	393
	Orofino Joint District	171		Avery District	394
CUSTER	Challis Joint District	181	TWIN FALLS	Teton County District	401
	Mackey Joint District	182		Twin Falls School District	411
	Prairie Elementary District	191		Buhl Joint District	412
ELMORE	Glenns Ferry Joint District	192	VALLEY	Filer District	413
	Mountain Home District	193		Kimberly District	414
	Preston Joint District	201		Hansen District	415
FRANKLIN	West Side Joint District	202	WASHINGTON	Three Creek Elementary Joint District	416
	Fremont County Joint District	215		Castleford Joint District	417
	Emmett Joint District	221		Murtaugh Joint District	418
GOODING	Gooding Joint District	231	WASHINGT	McCall-Donnelly Joint District	421
	Wendell District	232		Cascade District	422
	Hagerman Joint District	233		Weiser District	431
IDAHO	Bliss Joint District	234		Cambridge Joint District	432
	Grangeville Joint District	241		Midvale District	433
	Cottonwood Joint District	242			
JEFFERSON	Jefferson County Joint District	251			
	Ririe Joint District	252			
	West Jefferson District	253			

*The Lewiston Independent School District No. 1 should be listed as No. 340 in order to distinguish it from the Independent School District of Boise City.